

**Government of the District of Columbia  
Office of the Chief Financial Officer**

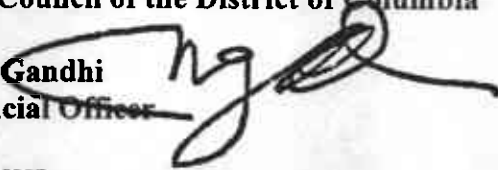


**Natwar M. Gandhi**  
Chief Financial Officer

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CHAIRMAN CROPP

**MEMORANDUM**

**TO:** The Honorable Linda W. Cropp  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi   
Chief Financial Officer

**DATE:** JUN -7 2005

**SUBJECT:** Fiscal Impact Statement: "Rental Housing Conversion and Sale Amendment Act of 2005"

**REFERENCE:** Bill Number 16-0050, as Introduced

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**Conclusion**

Funds are not sufficient in the Mayor's and Council's proposed FY 2006 through FY 2009 budget and financial plan to implement the program. The proposed legislation would result in unbudgeted expenditures of \$637,000 in FY 2006, and \$2.57 million in FY 2006 through FY 2009.

Federal and District anti-deficiency laws prohibit District officers and employees from exceeding agency appropriations in any fiscal year. 31 U.S.C.A. § 1341 (2000); D.C. Code § 47.355.01 et seq. (2003). The proposed legislation cannot be implemented without violating these anti-deficiency laws unless funds are identified in the existing budget and financial plan and allocated to cover the expenditures required by the proposed legislation.

**Background**

The proposed legislation would amend the Rental Housing Conversion and Sale Act of 1980 to:

- (1) add language to clarify that any listed examples describing the terms "sell" and "sale" under the Act are intended to be neither exhaustive nor exclusive;

- (2) require examining the economic substance of a transaction to determine whether it constitutes a 'sale' under the Act;
- (3) exempt certain property transfers from the Act, including various inter-vivos family transfers;
- (4) make declaratory orders the sole means by which to determine the rights of an aggrieved party;
- (5) outline the filing requirements and deadlines for seeking declaratory relief; and
- (6) establish a Rental Housing Act Conversion and Sale Act Task Force.

### **Financial Plan Impact**

Funds are not sufficient in the Mayor's and Council's proposed FY 2006 through FY 2009 budget and financial plan to implement the program. The proposed legislation would result in unbudgeted expenditures of \$637,000 in FY 2006, and \$2.57 million in FY 2006 through FY 2009.

The proposed bill would determine what constitutes a sale under the Act by applying an economic substance test, and would make declaratory orders the sole means by which the Mayor could issue binding determinations of each party's rights. In seeking declaratory relief, any aggrieved party would be entitled to an administrative hearing; therefore, the costs associated with the proposed legislation would be primarily borne by the Office of Administrative Hearings (OAH). The Department of Consumer and Regulatory Affairs (DCRA) estimates that it receives up to 50 requests per month that are of the type that could trigger hearing requirements under the proposed legislation. It is difficult to predict the actual caseload that the proposed legislation will generate. Future period cost calculations based on this estimate are subject to the risk that they may become less accurate due to changes in conditions or circumstances. The Amendment's actual fiscal impact on the District's budget and financial plan will reflect such changes, including fluctuations in the housing market and the extent to which parties choose to assert their rights under the Amendment's provisions, and thus, may vary from these estimates.

To implement the proposed legislation, it is estimated that 2 ½ ALJ Units<sup>1</sup> would be required to hear the estimated increased caseload, which would result in \$495,000 in Personal and Non-Personal Costs in FY 2006.

OAH would require facilities in which to hear the caseload created by the proposed legislation. Providing the necessary facilities and furnishings would result in costs of \$142,000 in FY 2006.

These expenses assume an increase for inflation of 3.5 percent in each year beginning in FY 2007, and are detailed in the table below.

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<sup>1</sup> An "ALJ Unit" consists of one Administrative Law Judge with support from 1/3 of a Staff Attorney's time and 2/3 of a Docket Clerk's time.

Estimated Impact to the Budget and Financial Plan (S in 000s)					
	FY 2006	FY 2007	FY 2008	FY 2009	4-Year Total
Personal Services (PS) Costs	\$ 381	\$ 394	\$ 408	\$ 422	\$ 1,606
Non-Personal Services (NPS) Costs	\$ 114	\$ 118	\$ 123	\$ 127	\$ 482
Facilities and Furniture	\$ 142 <sup>2</sup>	\$ 108	\$ 112	\$ 116	\$ 478
<b>Total</b>	<b>\$ 637</b>	<b>\$ 621</b>	<b>\$ 643</b>	<b>\$ 665</b>	<b>\$ 2,566</b>

If the proposed transfer of resources from DCRA to OAH for four FTE positions takes place, the fiscal impact could be reduced by \$312,000 in FY 2006 and \$1,315,000 in FY 2006 through FY 2009.

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<sup>2</sup> Includes one-time cost of \$37,950 for furniture.